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Sustainable development and international economic cooperation: implementation of the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and implementation of the International Development Strategy for the Fourth United Nations Development Decade (resolution 57/246 of 20 December 2002)

Progress towards and challenges and constraints to the achievement of the major development goals and objectives adopted by the United Nations during the past decade**

Report of the Secretary-General

Summary

The present report responds to the General Assembly's request to provide an update of selected developments discussed in a previous report (A/57/216) on challenges and constraints to achieving the major development goals and objectives adopted by the United Nations during the 1990s. The report also addresses new challenges and constraints as well as opportunities for development in the first decade of the new millennium.

The report summarizes the global and economic performance in the new millennium and reviews the deteriorating geopolitical and economic conditions. The report highlights the marked deceleration in the growth of international trade, and its negative impact on developing countries. While the global economic environment has not been a positive force for development, in the policy area some progress has been made towards improving conditions for developing countries in areas such as external debt relief and official development assistance. It also notes some significant aspects of private financial flows, workers' remittances and net transfer of resources to developing countries.

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The report also addresses selected opportunities, challenges and constraints to development that warrant the attention of national and international policy makers in the years ahead. Among the positive forces for development, the report identifies opportunities offered by technological progress for attaining food security and the contribution of information and communication technologies. The report focuses also on the challenges brought by the fight against HIV/AIDS, the challenges arising from demographic trends, including ageing and social safety nets, youth unemployment, and migrant workers, and the reversal of the peace dividend as a constraint to global development.

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I. Introduction

1. In 1990, the General Assembly adopted the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (resolution S-18/3, annex) and the International Development Strategy for the Fourth United Nations Development Decade (resolution 45/199, annex). The Strategy incorporated several principles contained in the Declaration and emphasized the need for an acceleration of growth in all sectors in developing countries.

2. Since the adoption of the Declaration and the Strategy, the United Nations has held a series of global conferences that have contributed to the forging of a new global consensus on development goals and policies. The conferences broadened the concept of development and made progress towards identifying new universal values in such areas as sustainable development, social development, human rights, culture, children and gender. In September 2000, the General Assembly adopted the Millennium Declaration (resolution 55/2), in which the international community resolved to move towards the implementation of the commitments made in the conferences by establishing measurable targets, referred to as the Millennium Development Goals.

3. In 2002, the Secretary-General provided the General Assembly at its fifty-seventh session with a report containing an overview of the challenges and constraints to achieving the major goals and objectives adopted by the United Nations during the 1990s and an update of the progress made towards achieving them during the decade (A/57/216). The present report, prepared in response to the General Assembly's request for a further report on this subject (see resolution 57/246, para. 3), updates some key developments since the previous report and addresses some selected opportunities for and challenges and constraints to development in the first decade of the new millennium.

4. The reason for the selectivity of the present report is that the Assembly has before it a number of other reports addressing these matters, most notably the report of the Secretary-General on the implementation of the United Nations Millennium Declaration (A/58/323), as well as the reports on or concerning globalization and interdependence (A/58/__), the implementation and follow-up to commitments made at the International Conference on Financing for Development (A/58/216), the World Social Situation (A/58/153), the first United Nations Decade for the Eradication of Poverty (A/58/179), women in development (A/58/135), and HIV/AIDS (A/58/184). The report summarizes the global and economic performance in the new millennium and reviews the deteriorating geopolitical and economic conditions. It highlights the marked deceleration in the growth of international trade, and its negative impact on developing countries. While the global economic environment has not been a positive force for development, in the policy area some progress has been made to improving conditions for developing countries in such areas as external debt relief and official development assistance. It also notes some significant aspects of private financial flows, workers' remittances and net transfer of resources to developing countries.

5. The report also addresses selected opportunities, challenges and constraints to development that warrant the attention of national and international policy makers in the years ahead. Among the positive forces for development, the report identifies

opportunities offered by technological progress for attaining food security and the contribution of information and communication technologies. The report focuses also on the challenges brought by the fight against HIV/AIDS, the challenges arising from demographic trends, including ageing and social safety nets, youth unemployment and migrant workers, and the reversal of the peace dividend as a constraint to global development.

II. Global economic performance in the new millennium

6. The first few years of the new millennium have witnessed a mix of deteriorating geopolitical and economic conditions. More so than for some time, geopolitical factors have affected the economic landscape and short- and medium-term global economic prospects. The slowdown experienced by the global economy since the turn of the century has been exacerbated by setbacks to international peace and security. In particular, there has been a marked deceleration in the growth of international trade. For the developing countries, this has had a negative impact on export revenues, already strained by unfavourable commodity prices. In some cases, this has complicated the management of external debt, even in countries that had previously reached more or less sustainable debt levels.

A. Economic growth

7. During the first years of this decade, the growth of output in developing countries has been less than that achieved during most of the 1990s and, for some regions, even during the "lost decade" of the 1980s.[1] Specifically, Latin America and the Caribbean and Western Asia have suffered a decline in per capita output after experiencing improved average growth in the 1990s (see table 1). Eastern and Southern Asia have continued to grow faster than other regions, although more slowly than in the previous two decades. Moreover, the figure for the region as a whole is boosted by the high growth that has been consistently achieved by China.

Table 1
Developing countries: growth of per capita gross domestic product
(Annual average percentage change)

	1981-1990	*1991-2000*	*2001-2003*
Developing countries	0.8	2.8	1.6
Latin America and the Caribbean	-0.6	1.4	-1
Africa	-0.7	-0.2	0.5
Sub-Saharan Africa	-1.2	-0.3	0.7
Western Asia		0.4	-1.4
Eastern and Southern Asia	4.7	5.0	3.8
Memorandum items:			
Eastern and Southern Asia excluding China	3.9	3.5	2.4
Least developed countries	-0.5	0.5	2.2

Source: Department of Economic and Social Affairs.

8. Economic growth in sub-Saharan Africa and the least developed countries in general has been better so far this decade than in the previous two. Nevertheless, average income per capita growth of a half per cent could not reduce poverty in a significant way. Sustained growth of at least 3 per cent in real gross domestic product (GDP) per capita is deemed necessary for meaningful poverty reduction in these regions over the longer term and sub-Saharan Africa as a whole continues to fall far short of that level.

9. Far from registering sustained growth, 37 out of 95 developing countries regularly monitored by the Department of Economic and Social Affairs experienced a contraction of GDP per capita in 2001 and 33 in 2002; these countries accounted for 8 and 10 per cent of the world population, respectively.[2] On the other hand, 20 countries in 2001 and 16 in 2002 grew by more than 3 per cent per capita, on both occasions accounting for about 46 per cent of the world population. China and India accounted for most of the people in this group.

B. The international environment for development

10. Since the beginning of the present decade, the global economic environment has not been a strongly positive force for development. On the other hand, in the policy area some progress has been made in agreeing to improve conditions for developing countries, addressing external debt and reviving official development assistance (ODA).

1. Trade

11. Economic growth in developing countries has become increasingly dependent on international trade, as reflected in the increase in both the ratio of trade to their GDP and in their share of world trade (30 per cent in 2000). However, world trade has lacked dynamism since the beginning of the decade, particularly when contrasted with the 1990s. In addition to the overall weakness in the world economy, a number of non-economic shocks to the world economy (the terrorist attacks of 11 September 2001, the conflict in Iraq and the outbreak of SARS) have all been detrimental to world trade, especially trade in services, such as travel and tourism. Having declined in 2001, world trade increased by only 2 per cent in 2002 and the growth of world trade is not expected to exceed 4 per cent in 2003. It will be difficult for the growth of world trade to regain the high pace of the 1990s in the short run, unless the geopolitical uncertainties can be substantially reduced and the ongoing multilateral trade negotiations make significant progress, along with a solid recovery in major economies where excess capacity continues to restrain investment.

12. Many developing countries remain heavily dependent on the export of non-fuel commodities. For example, many African, Latin American and Caribbean countries still rely on a few non-fuel commodities for a significant share of their exports. On average, non-fuel commodities generate about 23 per cent of all merchandise export revenues in Africa and Latin America, but this figure conceals considerably higher shares in many economies. For instance, non-fuel commodities generate over 80 per cent of merchandise export revenues in such countries as Belize, Benin, Burkina Faso, Burundi, Ethiopia, Grenada, Jamaica, Liberia, Malawi, Mali, Mauritania, Mozambique, Nicaragua, the Niger, Paraguay, the Sudan, the United Republic of

Tanzania and Zambia. At least 50 per cent of merchandise export revenues is generated by non-fuel commodities in Chile, Côte d'Ivoire, the Gambia, Guatemala, Guinea, Honduras, Kenya, Maldives, Panama, Senegal, Swaziland, Togo, Uganda, Uruguay and Zimbabwe.[3]

13. The general downward trend in the prices of non-fuel commodities (see table 2) has therefore continued to limit the benefits from trade in those countries that are heavily reliant on them. Excess supply, including large inventories in a number of commodity markets, are likely to continue to exert downward pressures on prices in the short term. However, because of the depreciation of the dollar in late 2002 and early 2003, prices of dollar-denominated commodities are likely to increase, boosting export revenues for many developing countries in nominal dollar terms. Nevertheless, the real purchasing power of these export revenues may not improve since the prices of many imports are also likely to increase.[4]

Table 2
Non-fuel commodity prices, 1990-2002

	1990	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Index 1990 = 100	100.0	93.0	87.3	87.9	101.8	100.2	100.2	106.5	96.3	86.9	92.7	93.2	89.2

Source: UNCTAD, *Monthly Commodity Price Bulletin*.

14. The continued dependence of many developing countries on the production and export of non-fuel commodities and the persistent weaknesses in commodity prices present an ongoing challenge for developing countries. On the one hand, the oversupply and price falls that characterize several commodity markets should be addressed. However, it would be difficult for individual producing countries alone to reduce excess supplies by the required amount. The international community should focus attention on reducing the production of some commodities (particularly that of high-cost producers), especially by the elimination of those subsidies which have an impact on production. On the other hand, there is also a need to foster diversification and transformation in the countries concerned. Many developing countries continue to face major challenges in processing the commodities they produce, therefore adding a greater value to their exports. In many agricultural commodity markets, for instance, a higher share of the final price is often appropriated by the later stages of production, which is usually beyond the reach of developing countries due to lack of capacity and other constraints. As a result, developing countries only capture a small share of the final price that these commodities command in the consumer markets abroad.

15. In particular, measures should be taken to improve the access of developing countries' agricultural exports to developed-country markets. Actions should include substantial reductions in with a view to phasing out all forms of export subsidies and reductions in trade-distorting domestic support, as agreed in the Doha Ministerial Declaration. Lowering tariffs and lifting non-trade barriers are also crucial to increase export volumes from developing countries.

2. Debt-relief initiatives

16. The international community faces two broad challenges with regard to the Heavily Indebted Poor Countries (HIPCs) Initiative: expediting the cases that are in the pipeline and ensuring that funding is sufficient to ensure that participating countries' debt situation is sustainable. As of end-June 2003, only eight of the 26 heavily indebted poor countries that had reached the intermediate benchmark, the "decision point", had proceeded to their "completion point". Moreover, some of the eight countries have experienced worsening external debt situations, because of weak world commodity prices and hence their export receipts have been less than assumed.

17. Despite earlier difficulties in raising resources to fully fund the current framework of the HIPC Initiative, contributions at end-April 2003 were $2.4 billion compared to pledges of $2.6 billion. However, because of the shortfall in some participating countries' export revenues, these total pledges may be less than the amount required to attain the Initiative's objective of reducing each participating country's debt to a sustainable level. Even if this objective is met, achieving growth while maintaining a sustainable debt situation in those countries exiting from the HIPC process will require new non-debt-creating financial flows, notably official development assistance and foreign direct investment (FDI).

3. Official development assistance

18. ODA had been on a downward trend for a number of years but rose to $57.0 billion in 2002 from $52.3 billion in 2001. When the effects of inflation and exchange-rate movements are taken into account, "real" ODA rose by 4.8 per cent. Twelve of the 22 member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) reported an increase in ODA in real terms, nine countries by more than 10 per cent. The ratio of ODA to donor gross national income (GNI) rose to 0.23 per cent from a record low of 0.22 per cent in each of the previous three years.

19. Some of the increases in ODA flows in 2002 were associated with the International Conference on Financing for Development held in Monterrey, Mexico, and further increases have been promised for the future. The challenges remain both to translate existing commitments into outlays as quickly as possible and to raise commitments substantially. According to DAC estimates, fulfilling the Monterrey pledges will increase ODA between 2003 and 2006 by 31 per cent (about $16 billion) and raise the ODA/GNP ratio to 0.26 per cent by 2006.[5] The ratio would still be far less than the 0.33 per cent consistently reached until 1992. Moreover, even the most effective and efficient delivery of the current volume of ODA will fall far short of what is needed to meet the Millennium Declaration Goals. It has been estimated that roughly an additional $50 billion a year is required to meet the Goals; a further increase on the order of $50 billion a year would be needed to reach the target of 0.7 per cent of gross national income.[6]

4. Private financial flows

20. Since the Asian financial crisis, private financial flows to developing countries have reversed their positive trend of the 1990s. For developing countries as a group, FDI is the largest component of external resource flows and its decline in 2002 (see

table 3) bodes poorly for the increased role needed from for the private sector in financing development.

Table 3
Net foreign direct investment flows to developing Countries, 1991-2002

	1991	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Net flow (billions of dollars)	29.1	31.5	34.3	75.3	82.0	97.2	120.5	128.0	133.0	125.6	145.3	110.0

Source: *World Economic and Social Survey 2003* (United Nations publication, Sales No. E.03.II.C.1).

21. Developing countries continue to implement policies to attract FDI. The improvement in the investment climate must, however, be coupled with policies addressing institutional capacity and weaknesses, including human resources development, technological development, building a vibrant domestic enterprise sector, improving infrastructure and ensuring a competitive environment. Each of these tasks presents a challenge for many developing countries.

5. Workers' remittances

22. A component of financial flows to developing countries that has become of increasing significance — often more important than ODA and current levels of private lending — is remittances from citizens living abroad. Countering the trends in most other financial flows to developing countries, recorded flows of workers' remittances reached $80 billion in 2002, up from $60 billion in 1998.[7] Moreover, the remittances that are formally recorded often represent only a portion of the total flows.

23. Remittances arising from migration lead to increases in income for recipients, stimulating the economy. The magnitude and economic impact on the home country of remittances depend not only on the volume of the outflow of workers but also on their skill composition and employment status before emigration.

6. Net transfer of resources to developing countries

24. The net outcome of the various financial flows to developing countries is captured in the net transfer of resources. The impact of the net financial transfer on a country depends on its overall economic situation. For most developing and transition economies, it would normally be considered desirable to maintain on average a sustainable net inward transfer and thereby raise investment above the amount that could be financed out of gross domestic savings alone.[8] It is thus a matter of some concern that 2002 marks an all-time low of $-192.5 billion and the fifth consecutive year in which the net transfer of the developing countries as a group has been negative. In particular, in Latin America and the Caribbean, this negative transfer in 2002 reflected a sharp contraction in imports by several economies. In Africa, there was a net inward transfer of financial resources, as lower non-oil commodity export earnings brought about an overall trade deficit that was financed from additional official and private financial flows. The persistent and large negative net financial transfer from some developing countries in the first years of the new decade is in contrast with the net inflows of the first half of the

1990s. Creating the conditions that would reverse these flows represents a challenge — for the developing countries themselves but also for the international community, not only Governments but particularly the private sector, which accounts for almost all of the turnaround in these flows.

Table 4
Net transfer of resources to developing countries, 1991-2002
(Billion of dollars)

	1991	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Developing countries	-42.2	28.6	40.4	66.3	33.9	36.0	24.2	-1.3	-33.7	-179.3	-155.1	-192.5

Source: *World Economic and Social Survey* (United Nations publication), various issues.

III. Selected opportunities, challenges and constraints to development

25. The present section identifies a few selected opportunities, challenges and constraints to development that warrant the attention of national and international policy makers in the years ahead but that are not necessarily addressed in other reports before the present session of the Assembly.

A. Major opportunities offered by technological progress

1. Food security and the role of technology

26. The application of modern technology, including biotechnology, in food and agriculture has the potential of increasing productivity and reducing the costs of production, which should in turn benefit both producers and consumers. Such new technologies could make an important contribution to reducing the pervasive poverty and hunger in the world today. Since agriculture is often a more significant segment of the economy in developing countries than in developed ones, the gains in output are likely to be relatively more important to developing countries; since poorer consumers spend higher proportions of their budgets on food, their relative gain is also expected to be larger.

27. Biotechnology is thought to offer large potential benefits, but it also embodies a number of broad risks, mostly unquantifiable in advance and some with potentially large negative effects. In many cases, these negative consequences would be borne not by those developing or selling these technologies but by society at large.

28. Modern biotechnology includes genetic manipulation to produce genetically modified organisms (GMOs). The potential benefits of GMOs are more nutritious staple foods and increased agricultural productivity from better resistance to crop diseases, pest outbreaks and severe weather, and more productive farm animals. At the same time, GMOs are said to provide benefits for the environment, such as reducing the amount of land required to produce food because of improved productivity; reducing the chemicals needed for crop protection; allowing the rehabilitation of damaged or less fertile land; reducing waste through products with longer shelf lives; and producing organic matter to provide energy (biofuels).

Finally, there are potential benefits for human health, such as the possibilities of investigating diseases through genetic fingerprinting, developing new vaccines and medicines, and identifying allergenic genes.

29. The main arguments that have been put forward against the use of GMOs in agriculture are the risks of negative effects on the environment and on human health and a number of adverse socio-economic effects. Environmentally, it is argued that genes might end up in unexpected places and mutate with harmful effects (for example, creating "superweeds" that are resistant to pests and herbicides), that "sleeper" genes could be accidentally switched on while active genes could become "silent", and that genes might interact with wild and native populations, with adverse effects on birds, insects and soils, while inadvertently harming beneficial predators of crop pests. The potential negative effects on human health include the transfer of allergenic genes, the mixing of unwanted GMOs in the food chain and the transfer of antibiotic resistance. Finally, some of the possible adverse socio-economic effects are a loss of farmers' access to unmodified plant material and potential dependence on bio-engineered seeds and technology, especially given the development of so-called terminator genes in GMO-enhanced seeds, which cannot be replanted. While the potential rewards serve as large incentives for the private sector to develop these technologies, the collective nature of many of the associated risks means that there is a critical role for Governments in mitigating them and in conducting or initiating studies that can form the basis for public discussion and action.[9]

30. With the necessary action to mitigate risks, GMO crops are a potential opportunity for developing countries, particularly those with a food deficit. However, GMO technologies discovered in developed countries may not be readily transferable to developing countries. Research into crops that are specific to developing countries is limited to a few public and non-profit institutions in developed countries and developing countries with a strong scientific base. Because the financial returns are perceived to be limited, there is correspondingly marginal interest from the private sector in developing GMOs of interest to developing countries.[10] As with many other technologies, there is a challenge in devising means to ensure that biotechnology serves the interest of the poorest countries and peoples.

2. Information and communication technologies

31. A positive force for development in the early years of the new century has been continued information and communication technology (ICT) penetration in both developed and developing economies. Although the pace has slowed in the recent adverse economic environment, the growth of the networked economy has continued. This has created new enterprises, but above all an array of new opportunities, new applications and new dimensions of development.

32. The number of people using the Internet worldwide has almost tripled, from just over 200 million at the start of 2000 to more than 600 million in 2002, and is projected to reach 2 billion by the end of 2005. By then, half of these people are expected to be using devices other than personal computers for access to the Internet. Policy, regulatory and institutional reform in most countries, as well as at the global level, has not kept pace with technological advances, so that some of the opportunities arising from potential applications of ICT remain untapped, especially in developing countries. The creation of an enabling policy, regulatory and

institutional infrastructure at the national and global levels is critical to ensure universal and affordable access to ICT.

33. The differences among countries in access to basic telecommunications services (part of the so-called "digital divide") appears to be narrowing, but there continues to be a gap between developed and developing countries in telecommunication services and in quality of access. In 2001, the Asian and Pacific region emerged as the top Internet region, as measured by the number of users. Even though developing countries have raised their share of the world's Internet users from 2 per cent in 1991 to 23 per cent in 2001 (out of some half a billion users around the world), access to the Internet is much less evenly distributed than access to the telephone. For example, the 400,000 citizens of Luxembourg share more international Internet bandwidth than Africa's 760 million citizens, giving the former much faster access to the world wide web. Furthermore, individual users' experience of using the Internet varies widely.

34. There is overcapacity in the optical fibre networks on many routes in developed countries, but one effect of the bursting of the "bubble" in the telecommunications sector has been to reduce these excesses. Until 2000, developed countries accounted for the majority of new mobile subscriptions sold each year. Since then, new subscriptions in developed economies have decreased while those in developing economies have continued to grow, overtaking those in developed economies. Telecommunications capacity is still in short supply in the developing countries, but these trends suggest that the digital divide may be shrinking and that developing countries now have greater opportunities to take advantage of the development potential of the ICT revolution.

B. The challenge of HIV/AIDS

35. HIV/AIDS presents a major challenge in an increasing number of developing countries. It is erasing decades of progress in expanding life expectancy and is affecting demographic and economic trends. Average life expectancy in sub-Saharan Africa is now only 47 years, whereas it would have been 62 years without AIDS. In Botswana, life expectancy has dropped by 33 years to levels not seen since 1950. Asia and the Caribbean are experiencing a similar phenomenon, albeit to a lesser degree. Under-five mortality rates have increased by as much as 40 per cent in some countries.

36. HIV/AIDS is not solely a health problem. The scale of the pandemic in many developing countries means that it is also a major impediment, even a counter-force, to economic and social development because it shrinks the labour force and lowers its productivity. It is estimated that, for countries with HIV/AIDS prevalence rates of 20 per cent, annual GDP growth drops by 2.6 per cent. AIDS has disruptive effects on household cohesion, leading to poverty and dissolution of the household when the adults die. It reduces family food security by diminishing the labour force available to produce food and reducing the means to purchase food.

37. Projections suggest that an additional 45 million people will become infected with HIV in 126 low- and middle-income countries between 2002 and 2010. More than 40 per cent of those infections will occur in Asia and the Pacific, which currently accounts for about 20 per cent of new infections. It is also estimated that implementing a full prevention package by 2005 would cut the number of new

infections by 29 million by 2010, and help to achieve the target of reducing HIV prevalence levels among young people by 25 per cent by 2010 as called for in the Declaration of Commitment on HIV/AIDS adopted by the General Assembly in its resolution S-26/2 of June 2001. Because of the rapid spread of the disease, any delay in implementing the full prevention package will have a magnified effect over the longer term. Infection rates among young people continue to rise, and slowing the spread of the epidemic requires protecting young people everywhere against the disease.

38. Lack of information about the transmission of HIV still plays a role in its spread. Surveys conducted between 1996 and 2001 reveal that 77 per cent of women in the 15-24 age bracket in Latin America and the Caribbean know that a healthy-looking person can be infected by HIV/AIDS, but the ratios were only 51 and 47 in sub-Saharan Africa and Southeastern Asia, respectively. The percentage of women in the same age bracket who know that a condom can prevent transmission is 60 in South-central Asia, but only 49 and 38 in sub-Saharan Africa and Southeastern Asia, respectively. Education about the disease and its prevention is an indispensable component of the effort to slow the spread of the disease.

39. The Declaration of Commitment on HIV/AIDS established time-bound targets to tackle the pandemic. More countries are recognizing the value of pooling their resources, experiences and commitment by forging regional initiatives to combat the epidemic. There is other evidence of progress. Sizeable additional resources are being mobilized by the Global Fund to Fight AIDS, Tuberculosis and Malaria, established in June 2001. An immediate challenge is to utilize these resources in a prompt, efficient and effective manner.

C. Challenges arising from demographic trends

40. The population of developed countries is getting older, while in developing countries the vast pool of young people represents their best yet underutilized resource. Demographic changes raise issues of the sustainability of social security systems in both developed countries and developing countries, and in developing countries there is also concern with youth unemployment and underemployment. The international migration of workers can contribute to alleviating both problems. However, impediments to labour mobility make the conditions for labour migrants particularly harsh, and prevent the above-mentioned mismatches from adjusting and off-setting each other.

1. Ageing and social safety nets

41. The ageing of the population, along with changes in the workforce dynamics of older persons, have helped shape the debate on pensions. In most developed countries, older persons — with the exception of older widows who fare less well — have managed thus far to reach old age without experiencing a dramatic fall in their living standards. However, it is estimated that over the next quarter century, some 70 million people will retire in developed countries and be replaced by only 5 million new workers, whereas in the previous quarter century, 45 million new pensioners were replaced in the workforce by 120 million workers.[11] This suggests an excess demand for labour in these countries in the near future, as well as a challenge in ensuring that pensioners will not suffer a noticeable fall in living standards.

42. Few countries have adequately addressed the future cost and stability of their pension systems, and the increasing debt implicit in some systems, particularly the application of current pay-as-you-go rules, is likely to lead to higher contributions for workers and/or higher income taxes for both workers and pensioners. In many countries, the debate on pension reform has to contend with economic crises and high levels of public debt that not only threaten economic stability but also squeeze out necessary investments in education, health and infrastructure, leaving a large share of their population at risk.

43. According to the International Labour Organization (ILO), some 90 per cent of the world's working population is not adequately covered by pension schemes capable of providing sufficient retirement income. In the countries of the former USSR, pension schemes have become practically worthless with the collapse of national economies; in Africa, pension schemes are weak in general and poorly managed; in Asia, schemes have been weakened by the financial turmoil of the late 1990s; in the labour-importing countries of the Middle East, foreign workers are not permitted to join the national retirement schemes; and in Latin America and the Caribbean, schemes are performing poorly, with a number of countries converting to different systems. For those people not covered or covered by poorly performing pension schemes, income for their old age is not secured at all.

44. Ongoing questions of how to balance public and private-sector responsibility in the provision of old-age protection with workers' rights and needs for security also resonate in debates over the labour market's ability to absorb and retain workers. While a pivotal factor in reducing the vulnerability of older persons is their participation in the labour market, their overall rate of labour force participation has been on a steady decline for decades, even as their numbers and share in the total population have increased.

45. Africa and Asia have the highest proportion of older persons who are economically active — over 40 per cent. In most developing countries, most older persons have worked their entire lives in informal settings, with few if any benefits and meagre incomes. There is no pension account from which to draw a retirement income and very little chance to build one. Poverty is a motivating factor that compels older persons to continue working as long as their health will allow, as farmers, labourers or vendors.

46. At the other end of the spectrum is Europe, where the proportions of older persons who are still economically active is as low as five per cent, and where most retire from wage employment at ages that are strictly mandated; persons are penalized with a loss of social security income if they continue to work beyond a certain age. Such policies were designed when retirees were few enough in number relative to the working population and benefits could be easily provided. With the retiree population living longer and growing by the day, policies are nevertheless still encouraging people to shorten their working lives just at a time when they are fit and able to work even longer, and are excluding from the labour market those who would prefer to continue working. Mandatory retirement is only part of the economic and political backdrop. Unemployment and lack of opportunities, a demand for mastery of new skills in the expansion of the digital economy and high valuation of leisure are also affecting labour market policies related to older workers.

2. Migrant workers

47. Although policy attention has been devoted mostly to "organizing" the immigration of highly-skilled workers who meet specific labour needs, the majority of migrants have low qualifications and occupy jobs at the bottom end of the wage scale. Deception, discrimination, exploitation and sometimes abuse are employment-related situations commonly and increasingly faced by poorly skilled migrant workers. Whereas the current xenophobic climate in many societies provides some of the explanation for migrants' vulnerability, it primarily arises from their position in the labour market and the lack of application and enforcement of labour standards in host countries.

48. Restrictions on labour mobility and labour market deregulation have allowed a large number of undocumented migrants to find jobs despite relatively high levels of unemployment in developed countries. Migrants employed under substandard working conditions offer a low-cost and flexible labour supply alternative for small and medium-sized companies that cannot relocate their operations abroad. At the same time, employment-related discrimination has made it more difficult for legitimate migrants to find or change jobs.[12]

49. Migrants' economic rights are almost completely contingent on immigration laws and are usually quite limited. In many countries, migrants' access to labour markets as well as the scope of their engagement in professions and trade are restricted. While immigration laws specify some economic rights for migrants, they rarely contain provisions for the enforcement of those rights. In a few countries, migrants have begun organizing themselves in order to assert their rights, sometimes with the help of non-governmental organizations. In addition, in a number of developed countries, the threats posed to the enforcement of labour standards by deregulation as well as concerns with plummeting membership have led labour unions to adopt more receptive attitudes towards immigration and the plights of migrants.

3. Youth unemployment

50. Globalization and increasing economic liberalization had the effect of reducing the number of stable employment opportunities. Youth are more vulnerable to unemployment and job instability than adults because of their lack of work experience and professional skills. Young workers tend to play the role of buffer in times of economic uncertainty and shock: they are typically among the first to be fired during economic downturns and the last to be rehired. Many youth do not have access to adequate employment, which consequently induces the progression of other risks. Female youth are more at risk of becoming unemployed and have unemployment rates that are 20 to 50 per cent higher than that of males. In sum, whether they live in developed or developing countries, young people suffer disproportionally high levels of unemployment — between two and three times that of older generations — and are increasingly likely to be engaged in precarious, informal or hazardous forms of work.

51. In many developing countries, there exists a mismatch between the rapidly growing supply of highly educated young adults and the slow growth of demand for their skills. This phenomenon is primarily explained by a lack of development in modern sectors of the economy. Many of these highly educated people therefore end up migrating to industrialized countries in search of better job prospects.[13]

52. Young people also remain largely barred from access to entrepreneurship, a critical issue in developing countries where self-employment is often the only choice for survival. Due to their lack of collateral and business experience, youth are considered a very high risk by lenders, making it difficult for them to borrow money. In a context where many employers value experience and ability to perform skills, young people, particularly those with limited education or training, are at disadvantage in the search for employment.

53. Among the possible solutions is greater investment in education and vocational training for the young to increase youth employability. Evidence from a wide range of countries shows that education clearly enhances young people's prospects in the labour market. In addition, in the long term, the capacity of countries to develop economically and socially and take advantage of globalization will depend on the quality and skills of their labour force. Moreover, it is imperative to remove barriers, whether they be legislative or perceptive, that can lead to discrimination against youth employment.

D. The reversal of the peace dividend as a constraint to global development

54. The measurable peace dividend for the world economy is considered to be the resources saved from military expenditures and reallocated either to other public expenditures, such as education and health, or to the private sector as household consumption or business investment, leading to improved economic welfare and higher output.[14]

55. World military spending has been increasing since 1998, with a potentially adverse effect on world economic growth and welfare. In 2002, military expenditures increased by 6 per cent in real terms to $794 billion in current prices, accounting for 2.5 per cent of world GDP and $128 per capita.[15] The current level of world military expenditure is 14 per cent higher in real terms than it was at the post-cold war low of 1998 but is 16 per cent below the level of 1988 when world military expenditure was close to its cold war peak. There are various reasons for the latest increase of global military expenditures. In some cases, it is due to security measures adopted in response to the increase in international terrorism. In other cases, the increases in military spending are a result of intensified geopolitical tensions and the many regional conflicts.

56. The planned increases in defence expenditures by some of the leading military powers, both developed and developing countries, are likely to result in a continuing rise in world military expenditure over the next few years. Analysts have viewed this resurgence in defence spending as a reversal of the peace dividend that benefited the world economy during the 1990s and have warned of consequently lower potential growth for the world economy in the coming years.

57. In the short term, increased military expenditure has a stimulative effect on the economy, which can be beneficial during the present period of slow growth. There are opposing views on the long-term impact of increased defence spending and higher government expenditures on counter-terrorism measures. It is argued that military spending can have a positive impact on economic growth by providing security. Without adequate national defence, particularly when there are external threats, business investment is likely to decrease, compromising future economic

growth. However, this argument does not hold for the global economy as a whole since an increase in military spending in one country could be perceived as a heightened external threat by others, leading to a rise in their military spending and prompting yet further military spending by the first country. This would result in a vicious circle of an arms race, leading to lower security and economic growth for each country involved.

58. Increased military expenditure is jeopardizing the prospects for social and economic development. Money spent on armaments could alternatively be spent either on consumption, such as food or health care, or on investment, such as technology, education and infrastructure. Annual world military spending currently totals about $800 billion ($794 billion in 2002). If, hypothetically, this sum could be evenly reallocated among the 1.2 billion of the world population who are living on less than one dollar per day, extreme poverty by this measure would be eradicated.

IV. Concluding remarks

59. Two features characterize the global commitments enshrined in the decision to launch a new series of trade negotiations contained in the Monterrey Consensus of the International Conference on Financing for Development and in the Plan of Implementation of the World Summit on Sustainable Development (Johannesburg Plan of Implementation). First, because of the realization that a holistic approach to development is the only way to succeed, the commitments of the Conference and the Summit are all-encompassing, to some extent reiterating commitments previously taken in more topical venues. The value added through this approach is to have a cohesive and complete development framework. Second, there is more emphasis on implementation, realizing the necessity to move from policy to action by setting measurable targets.

60. The focus of the development efforts of the international community at the present time should be on the full and effective implementation of the outcomes and commitments of the Millennium Declaration and the global conferences and summits. The Millennium Development Goals and other goals of the conferences provide a concrete agenda for development in the new millennium. However, the progress achieved in the first quarter of the current decade in almost all fields is less than what is required to achieve all the development goals and targets established in recent years. Extraordinary efforts and measures are required on the part of the international community and Governments in all parts of the world to revitalize development.

61. At the time of writing, a pressing task is to secure prompt and tangible progress in the trade negotiations at the World Trade Organization (WTO) ministerial meeting to be held in Cancun in September 2003. Regardless of the outcome of this meeting, it will remain a major challenge to fulfil all the commitments made in the Doha ministerial meeting within the agreed time. All participants in these negotiations should therefore strive to accelerate progress, in particular on some of the major items that will have a direct bearing on the attainment of the Millennium Development Goals. If agreement has not already been reached, particular attention should be focused on the extension of the WTO agreements on trade-related intellectual property rights and public health, the elimination of subsidies on agricultural products by developed countries and some

principles on special and differential treatment for developing countries. The credibility of the new partnership for development is at risk if there is no progress on these questions in the near future.

62. The Millennium Declaration, the Doha Development Agenda, the Monterrey Consensus and the Johannesburg Plan of Implementation represent a new global partnership that can serve as a basis for achieving the goals and objectives. This partnership involves mutual responsibilities where political and economic reforms in developing countries are matched by support from developed countries, particularly in the forms of aid, trade and debt relief. The challenge for the international community, national Governments, the private sector, civil society and all others concerned is to live up to these responsibilities and ensure that the new momentum that has characterized the development debate during first years of the twenty-first century is maintained and translated into action. The successes achieved at these meetings will evaporate if the work programmes that they established and the commitments they embodied are not fully and effectively implemented and built upon in a timely fashion.

Notes

[1] Unless otherwise stated, the numbers given in this report come from the databases of the Department of Economic and Social Affairs of the United Nations Secretariat.

[2] See *World Economic and Social Survey, 2003* (United Nations publication, Sales No. E.03.II.C.1), table I.2; the 95 countries accounted for 97-98 per cent of the 1995 GDP and population of all developing countries and regions.

[3] For a comprehensive list see *UNCTAD Handbook of Statistics 2002* (United Nations publication, Sales No. E/F.03.II.D.2).

[4] For an analysis of commodity price developments and their consequences for developing countries, see A/58/216.

[5] See OECD news release, "OECD DAC countries begin recovery in development aid: 5% increase in 2002", Paris, 22 April 2003 (www.oecd.org/dac).

[6] See the report of the High-level Panel on Financing for Development annexed to the letter dated 25 June 2001 from the Secretary-General to the President of the General Assembly (A/55/1000), pp. 20 and 21.

[7] World Bank, *Global Development Finance 2003*.

[8] See also *World Economic Situation and Prospects 2003* (United Nations publication, Sales No. E.03.II.C.2), pp. 22 and 23.

[9] See, for instance, paper of the Royal Society, "Genetically modified plants for food use and human health — an update", February 2002 (http://www.royalsoc.ac.uk).

[10] In developed countries, expenditure on agricultural research and development are shared equally by the public and private sectors, while the ratio is sixteen to one in developing countries; see *World Economic and Social Survey, 2002* (United Nations publication, Sales No. E.02.II.C.1), p. 174.

[11] See OECD, *Ageing, housing and urban development* (Paris, 2003).

[12] Although evidence is currently sparse, discrimination against migrants as well as ethnic minorities is a worldwide phenomenon. Studies carried out by the ILO in four European countries found that more than one in three job applications by immigrants and members of minorities were rejected or not given consideration.

[13] This situation is compounded by an abundance of students graduating with degrees in the social sciences and humanities for whom there is an insufficient number of jobs. In contrast, few graduate in such disciplines as engineering and the physical sciences, whose teaching requires more sophisticated equipment and technology and is often too costly for many universities in developing countries to provide.

[14] See "Assessing the peace dividend resulting from the end of the cold war", in *World Economic and Social Survey 1995* (United Nations publication, Sales No. E.95.II.C.1), pp. 189-224.

[15] Information from the Stockholm International Peace Research Institute, at http://projects.sipri.se/milex/mex_trends.html, under "Recent trends in military expenditure".